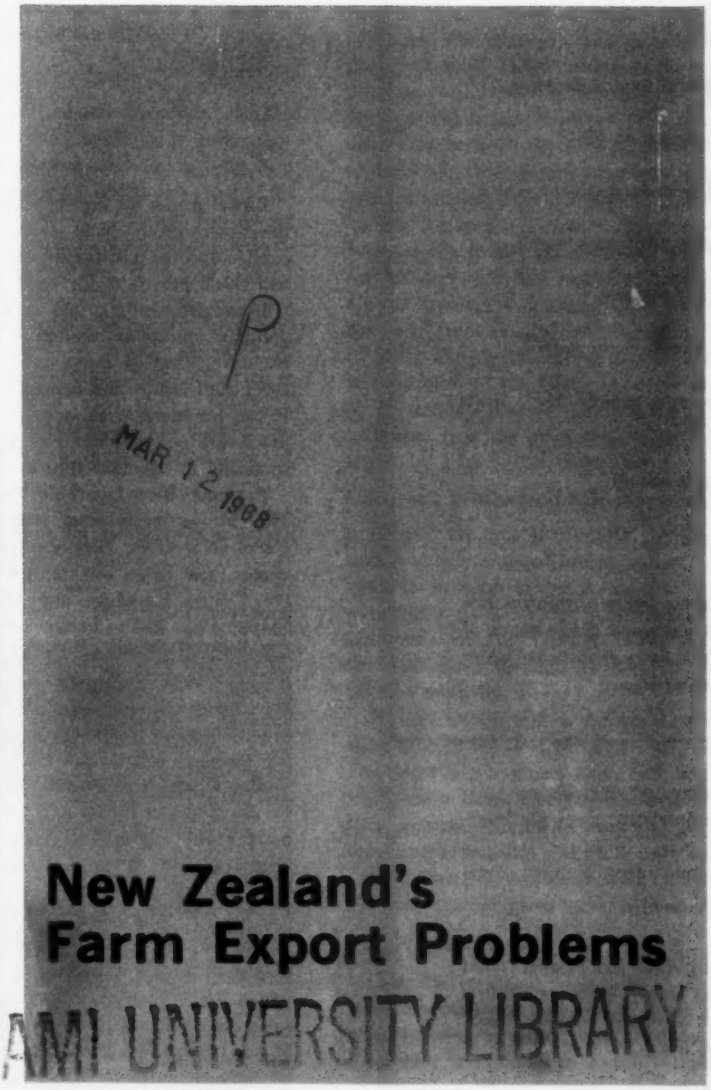
Mar. 4, 1968

FOREIGN AGRICULTURE



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New Zealand's Farm Export Problems

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Foreign
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OF AGRICULTURE

FOREIGN AGRICULTURE

VOL. VI • NO. 10 • MARCH 4, 1968

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This week's cover:

In New Zealand, a Japanese buyer scrutinizes raw wool offered for sale, and dairymen grade boxes of butter. New Zealand wool and dairy exports are under study in this week's feature article.

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Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (June 15, 1964). Yearly subscription rate, $7.00 domestic, $9.25 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

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New Zealand's A

By MARY ELLEN LONG
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Lower prices for key agricultural exports have been the root of the slowdown in New Zealand's economic growth during the current and the past fiscal year. Overall, New Zealand's economic and trade prospects for 1968 are not good.

Depressed export prices for wool, lamb, hides and skins, tallow, and dairy products resulted in 1966-67 financial returns to farmers lower than in many years—despite record slaughterings of sheep and lambs and a high volume of meat and wool exports. Prices for most of these export commodities have continued at low levels in 1967-68 and do not show promise of increasing substantially in the near future.

Prospects for a favorable 1967-68 were further dimmed in May 1967 by the Arab-Israeli hostilities and the closing of the Suez Canal. Normally, New Zealand's wool, meats, dairy products, apples, and pears have traveled through the canal en route to the United Kingdom and other Western European markets. Shipping has had to be diverted around the Cape of Good Hope, with resulting extra freight costs.

This generally gloomy export picture does have some bright spots. One is the success, though limited, the country is having in its efforts to find new markets for agricultural exports. Others are recent developments favoring New Zealand's exports to the United Kingdom. These developments: New Zealand's currency devaluation concurrent with that of the United Kingdom, anticipated benefits from New Zealand's gradual dismantling of import licensing, and the U.K. outbreak of foot-and-mouth disease.

Export troubles trigger economic slowdown

In fiscal year 1967 (ending March 31) a sharp drop in prices of coarse wool and depressed prices for byproducts of the meat industry and for certain dairy products—particularly butter—resulted in the lowest export receipts since fiscal year 1963. About 80 percent of New Zealand's foreign exchange has accrued from these products in recent years.

Although the government took emergency action in February 1967 to balance internal demand with foreign reserves, New Zealand's balance of trade during most of 1967 resulted in a deficit. The continuing slump in export receipts, coupled with higher freight costs and heavy overseas borrowings, is expected to result in greater fiscal 1968 balance-of-payments deficits.

The 1967 emergency measures, which are still in effect, regulate imports and impose domestic restrictions designed to curtail inflation. Domestic restrictions include: Elimination of consumer subsidies on butter, flour, and bread; abolition of free school milk schemes; restrictions of credit and funds available for housing and other construction; cuts in travel allowances; and higher taxes on liquor, tobacco, and gasoline.

The extent of the slowdown in New Zealand's economic growth is indicated by rate of growth of the gross national product during fiscal 1967 and 1968. GNP increased only 5.4 percent in 1967, compared with 7.3 percent in 1966. Only a 3.5-percent increase

's Agricultural Export Problems

is forecast for 1968. Gross farming income—which is 7.5 percent this fiscal year—makes up nearly half of the GNP.

Slump in coarse-wool market

New Zealand's economy was particularly vulnerable to the sharp fall in prices of coarser wools that developed in 1966, continued throughout 1967, and is expected to continue in 1968. The country is normally dependent on wool for about one-third of its foreign exchange earnings. During 1966-67, proceeds from wool sales were the lowest since 1958-59—down approximately US$81 million, or 25 percent, from the previous year. This loss in wool receipts was about 8 percent of the value of total trade.

Over 90 percent of New Zealand's wool is of the crossbred type and of coarser wool counts. In recent years, an estimated 70 percent of the clip has classed 40 to 50 counts, much of which is used in carpet and felt manufacture.

As of December 1967, the Wool Commission—which enters the market when auction prices fall below a given level—owned 704,000 bales of wool purchased since September 1966 and held in stocks. The continued low price in the 1967-68 season (beginning September 1) has prompted the commission to cut the floor price on two occasions. Wool is currently auctioned at whatever price it will bring, with the government paying producers the difference between the auction price and the present floor price of US$0.28. The commission now enters the market when the average auction prices fall below US$0.18 per pound.

New Zealand's prospects for increasing its sale of crossbred wools in the future are not good. The use of manmade fibers in carpets and rugs has increased rapidly in recent years. In the United States, for example, the use of noncellulosic staple fibers increased from 136 million pounds in 1960 to 563 million pounds in 1965. During this same period, U.S. consumption of carpet wool (excluding rug backings) declined from 165 million pounds to 112 million pounds. Continued greater use of synthetic fibers in carpet and rug manufacture is believed to be a worldwide trend.

Mutton, one of New Zealand's most important exports, is moved from refrigerated railway trucks to refrigerated holds in an overseas vessel in Wellington. Over the years, 92 percent of the country's lamb exports have been sent to the United Kingdom.

Livestock production still increasing

Even in the face of the poor outlook for prices of coarse wool and the uncertainty of future markets for lamb and mutton, however, there is no evidence that the government has changed its philosophy of encouragement of livestock production. The government's long-term program for expansion of livestock numbers—effective through 1973—calls for increases of about 3.5 percent annually.

Numbers on farms have been growing somewhat more rapidly than this. From 1964 through 1967, emphasis was placed on increasing sheep numbers and expanding wool output; some attention is now being given by some parts of the agricultural sector to a possible shift away from sheep to more stress on beef and dairy cattle breeding and wider crop diversification.

(See *Foreign Agriculture*, July 17, 1967, for a discussion of New Zealand's campaign to increase livestock production.)

Export markets, old and new

Over the years, New Zealand's agricultural production and trade has been oriented to the British market, in particular to its requirements for wool, meat, and dairy products. Although efforts have been made to diversify exports in recent years, about 45 percent of 1966-67 exports went to the United Kingdom. These exports, valued at $457 million, included 92 percent of all lamb exported, 86 percent of butter exports, and 84 percent of cheese exports.

Prospects for continued high exports to the United Kingdom hinge largely on future U.K. relationship to the EEC. Should Britain be successful in efforts to join the Common Market, New Zealand would encounter more competition in exporting its fruits and dairy products to the United Kingdom; its duty-free market for lamb would be eliminated.

Over the long term, New Zealand has been having some success in developing a Japanese market for meat and dairy products. Japan is now New Zealand's fourth largest customer. Total exports in 1965-66 to that country amounted to about $79 million, roughly 75 percent above exports the previous year. Most of the increase has come from increased sales of nonfat dry milk, butter, and mutton. As consumption trends develop for animal products

in Japan, it is possible that New Zealand will be able to supply greater quantities to that country.

The volume of Japan's imports of New Zealand's tallow and hides and skins has been maintained at satisfactory levels for the past few years. But foreign exchange earnings from these products have been low because of depressed prices.

Trade ties with Australia were strengthened by a free trade arrangement effective January 1, 1966. However, no sizable trade is expected to develop in the agricultural commodities freed of tariffs by both countries because of the great similarity in farm production for export in the two areas.

On the short-term plus side, New Zealand benefited in 1966-67 from a contract sale of prime lamb to the U.S. Armed Forces in Vietnam. It hopes to make further sales of this type in 1967-68.

Increased shipments of New Zealand lamb and beef in 1968 could result from the recent outbreak of foot-and-mouth disease in the United Kingdom (*Foreign Agriculture*, December 18, 1967) if price levels of meat rise sharply in the United Kingdom and the supply falls below consumption levels. New Zealand is one of the few disease-free countries whose meat is allowed to enter the United Kingdom relatively free of restrictions.

With the value of New Zealand's dollar now equal to that of the Australian, New Zealand's lamb, mutton, dairy products, apples, and pears will be particularly competitive with Australian products in the U.K. market. (See p. 2 *Foreign Agriculture*, January 22, 1968). Under the umbrella of devaluation, the government also expects to gradually eliminate its import licensing, which should create greater competition in New Zealand's markets for both agricultural products and manufactured goods.

The United Kingdom may also need greater imports of apples in 1968 because of its short 1966-67 crop. New Zealand is in a particularly good position to fill this gap with its 1968 harvest, for the crop in Australia—which normally might also share this greater market—is down because of drought.

World's Dairy Surplus Is Biggest in EEC

By DAVID R. STROBEL
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Foreign Agricultural Service

World milk production continues to increase, and the world dairy market continues to deteriorate, with prices severely depressed and unstable. Domestic consumption in the major producing countries has not kept pace with production, creating burdensome stocks of dairy products—principally butter and nonfat dry milk—that must be moved into the export market.

Today the biggest surplus problem is with the European Economic Community. And the measures that trade group is taking to dispose of its surplus on world markets are creating additional problems for other major exporters of dairy products.

Milk production in 1967

World milk production in 1967 was approximately 2 percent above that of 1966; only a few of the important dairy countries produced less milk than the year before. All indications are that this upward trend will continue in 1968.

Compared with the 1956-60 average, production in North America in 1967 was up only about 2 percent—but up 20 percent in Western European countries and 21 percent in Oceania (Australia and New Zealand).

In the United States, 1967 production was close to the level of 120 billion pounds in 1966, which was down about 4 billion pounds from production in 1965. In 1968, U.S. production is not expected to exceed that of 1967.

France, largest milk-producing country in Western Europe, had a 1967 milk production 3 percent higher than that of 1966 according to preliminary estimates; final figures may show a larger gain. West Germany—next highest Western Europe milk producer—had a 1967 production about 2 percent over 1966.

Milk production in Oceania in 1967 was up about 2 percent over the preceding year.

Why world dairy market is worsening

Two conditions are basically responsible for the rapid deterioration of the world market for dairy products—the failure of consumption in the major producing countries to keep pace with increased production, and the fact that world commercial dairy markets have not expanded significantly.

Because production has far outstripped consumption in the main producing countries, large stocks of dairy products—principally butter and nonfat dry milk—have accumulated to be moved into the export market. For many years the United States was the nation with the biggest dairy surplus; but by 1966, U.S. surplus stocks had been eliminated and the dairy surplus problem had shifted to Western Europe. (See *Foreign Agriculture*, November 14, 1966.) Today, the surplus problem still largely rests in Western Europe—in the EEC countries—although there are now some Commodity Credit Corporation inventories of dairy products in the United States as a result of a recent decrease in commercial utilization.

World dairy markets have remained highly concentrated in the more developed countries.

For example, about three-fourths of the butter moving in international trade is shipped to the United Kingdom. Before 1961, the United Kingdom maintained a free market for dairy products. Any country with a surplus of butter could ship to that country and dispose of it at some price. Because of the postwar upward trend in butter production and the heavy surplus situation that developed in 1960-61, the United Kingdom initiated a quota system, which limited imports of butter from all traditional suppliers to specified quantities. Non traditional suppliers were excluded; no quotas were authorized for them. Thus, today the largest market for butter in the world is closely controlled. The United Kingdom is also the principal market for Cheddar cheese, the kind that makes up the bulk of cheese in world trade.

Trade in nonfat dry milk, until recently, was carried on mainly by the United States, New Zealand, and Australia. The United States was the largest producer, with most of its overseas shipments being donated for use in welfare food programs and sold for local currencies. The EEC production of nonfat dry milk now equals that of the United States.

World trade in such products as dry whole milk, anhydrous milkfat, dry ice cream mix, and milk-base infant's and dietetic foods remains less important than trade in butter, cheese, and nonfat dry milk.

Heavy EEC subsidies for dairy exports

With production up, surpluses mounting, world outlets for its dairy products nonresponsive or limited, the EEC has embarked on a program of aggressive subsidization into the world market to reduce its surplus stocks. For butter and nonfat dry milk, EEC stocks were at record levels in December 1967, totaling approximately 477 million pounds and 308 million pounds.

A look at EEC domestic wholesale prices for butter and nonfat dry milk and delivered prices for these EEC products into the world marketplaces clearly shows the demoralizing effect of the EEC's dairy policies on the world dairy market.

France with an average domestic wholesale butter price of over 80 cents per pound is reported to be delivering fresh butter to Beirut, Lebanon, at 29.5 cents per pound; storage butter is reported to be selling in Beirut as low as 13 cents a pound. The Dutch with an average wholesale butter price of approximately 72 cents per pound are delivering fresh butter to Beirut for about 25 cents a pound, storage butter for about 15 cents per pound.

French nonfat dry milk, which has a Paris wholesale price of about 21 cents per pound, is being delivered to Beirut for about 10 cents a pound and to Lima, Peru, for 13 cents.

Reaction to EEC export subsidies

Canada, where nonfat dry milk stocks on January 1, 1968, were at a record level of 138 million pounds (up 147 percent over stocks the year before), recently announced a program making it possible for its exporters to be competitive at whatever subsidy level necessary on sales of over 500 tons.

New Zealand, realizing that present conditions in the world dairy market may get worse before they get better, is increasing its efforts to stabilize the situation by proposing in the forum of the General Agreement on Tariffs and Trade some type of international agreement. Being proposed are minimum prices or controls on subsidies, and food aid programs. The outlook for such an approach is not encouraging at this time. In the meantime, New Zealand has steadily decreased its f.o.b. Wellington price for nonfat dry milk to the current level of 9 to 10 cents per pound.

Uncontrolled subsidization can further restrict commercial sales by forcing countries to take measures to protect their own producers. For example, Switzerland, which has oppressive stocks of butter and nonfat dry milk, has now effectively closed its market to imported nonfat dry milk until it finds a solution to its own surplus problem. The Swiss Government, faced with continuing and increasing offers of low-priced nonfat dry milk from EEC sources and from Canada, recently increased its import duty to over 12 cents per pound. This duty raised the cost of the imported product, which had been offered at a price as low as 11 cents per pound, to a level above the 21-cent-minimum price level for domestically produced nonfat dry milk.

It would appear that the real solution to the problem would be for the countries that are the major offenders in surplus production to control production or to control the quantities of subsidized products placed on the world commercial market, along with providing greater amounts of the products for domestic aid and for food aid to developing countries. Controlling the amount of subsidized product and moving more of the surplus product as food aid to developing countries was the principal approach used by the United States when it was the main producer of dairy surpluses; it is still the U.S. approach to the problem when domestic stocks must be moved overseas. In following this course of action the United States avoided unduly disrupting commercial trade.

The world market outlook for butter and nonfat dry milk was well summarized in an article in a recent West European publication. With reference to butter, the article stated that the EEC stocks are now at about the same level as U.S. butter stocks in the early 60's, but "the EEC may well take longer to rid itself of surplus stocks than the United States did, in view of the probably continued rise in milk production. The surplus is an encumbrance to the whole international market as well as to the Common Market countries themselves."

Concerning nonfat dry milk, the observation was made that "On the long-term basis, the rise in EEC surpluses, if accompanied by a further increase in supplies from other dairy regions, could lead to persistently depressed prices on the international skimmed milk powder market."

A EUROPEAN VIEW of EEC's mounting butter surplus

Apropos of one aspect of the world dairy situation discussed in the accompanying article is the following news item, which appeared in the Netherlands newspaper *De Volkskrant*, datelined Brussels, Jan. 24, 1968, and headlined "Mansholt Warns: 'Butter Surplus Big Problem'."

"Tuesday Dr. S. L. Mansholt warned the Ministers of Agriculture of the EEC countries that the butter surplus of the Community is becoming abnormally large and is a problem of the first magnitude. According to the Vice-president of the European Commission, the surplus will increase annually by some 40 million kilograms (88.2 million pounds) if no steps are taken to limit production and stimulate consumption.

"Until 1964, the six countries had more or less a balance between production and selling possibilities, but since then butter production has increased annually. The unsold stocks in the cold storage houses have gradually increased to 140 million kilograms (about 308.7 million pounds).

"According to Dr. Mansholt's estimates, the common dairy policy will cost the European funds about 2.8 billion guilders (about US$778 million) in 1968-69, of which already 900 million will be spent to dispose of the surplus butter. This is substantially more than was anticipated a few years ago during the discussions about the European milk price; at that time calculations showed 1.6 billion guilders needed for the European dairy sector.

"He gave a number of theoretical possibilities for a policy to limit production of milk and increase the consumption of milk and butter."

According to the news story, the possibilities suggested by Dr. Mansholt included: a reduction of the target price for milk or stabilizing that price at the present European level of about 35 (Dutch) cents per liter (about 10 U.S. cents per quart) for a number of years; a greater difference between the target price for milk and the intervention price for butter; an extra charge on feed cakes; and a premium to small farmers to change from milk production to meat production.

"The Belgian and German Ministers of Agriculture" the report continued, "reacted to these suggestions with very cautious comments. But a reduction of the milk price was for them out of the question."

The Netherlands Minister, as well as his colleague in Luxembourg was reported as being in favor of a stabilization of the target price for milk.

Portugal's overseas Province in southeastern Africa will channel funds into land settlement, irrigation, and improvement of crops, livestock, and forestry.

Mozambique Kicks Off New Development Plan

Mozambique's third 6-year development plan is now underway, with some $81.3 million earmarked for agriculture.

Although farm output has been increasing—and is expected to continue in that direction during 1967-68—considerable investment will be required to bring this dominant part of the economy up to its potential. Productivity is generally low; only a small percentage of the Province's arable land is under crops, and no more than one-third of the land in the cash-farming sector is being utilized.

(For details on Mozambique's agricultural production and trade in 1965-66, see *Foreign Agriculture*, Nov. 6, 1967.)

Approximately $63.6 million out of the total funds pegged for agriculture will finance land settlement and irrigation schemes. Between 1968 and 1973, about 4,000 Portuguese farm families or 17,000 new immigrants will be settled in Mozambique. Some families will go to settlement schemes already established, and others will settle in new settlement areas in and around Montepuez in the northernmost district of Cabo Delgado, in the Mecanhelas and Limoma regions of the Niassa district, and in Vila Cabral—also in the Niassa district. The government will also encourage farmers to settle in the highlands of the north and northeast parts of the country, principally to raise cattle.

To handle this settlement, a Settler Placement Board will be established within the framework of the Provincial Land Settlement Board.

About $19.8 million will be invested in the Massingir Dam on the Rio dos Elefantes (Elephant River), a tributary of the Limpopo River. This project will guarantee water supplies for year-round crop irrigation in the Limpopo Valley and enable further expansion of the Limpopo settlement scheme.

The Plan also calls for investment of about $5.3 million in construction of a network of grain silos throughout the Province. The ports of Lourenço Marques and Beira will be equipped with additional grain silos for handling corn and wheat in bulk.

Crop, livestock goals

The remaining funds—about $17.7 million—will be channeled toward improvement of crops, livestock, and forestry.

The largest crop allocations are for bananas, cotton, corn, cashew nuts, and citrus. Also slated for development funds are peanuts, copra, rice, and wheat. As for other crops—like sugar, tobacco, tea, sisal, potatoes, castor, sesame, sorghum, and tung nuts—the stated policy is to maintain at least present rates of expansion. The table at the bottom of this page shows the Plan's 1973 production forecasts as compared with estimated 1965 output.

MOZAMBIQUE'S CROP PRODUCTION

Crop	Estimated 1965	Overall 1973	Commercial 1973
	Metric tons	*Metric tons*	*Metric tons*
Seed cotton	100,000	181,875	181,875
Cashew nuts	130,000	210,000	210,000
Corn	372,000	446,000	193,000
Wheat	6,500	(1)	24,500
Rice (paddy)	50,000	(1)	85,000
Peanuts (shelled)	73,000	120,000	68,000
Bananas	16,000	116,000	(1)

[1] Not available.

Diario de Moçambique, Jan. 3, 1968.

Under the Plan's livestock program, the northern districts are to be populated with beef cattle. The number of beef cattle in the entire Province is expected to rise 46.8 percent from the 1965 level of 1.1 million head to 1.7 million by 1973. In the 3-year period 1962-65 the size of the herd remained practically stationary. However, this situation is improving, especially in the Sul do Save area, as a result of the recent establishment of minimum prices at cattle sales.

The government expects to encourage milk production by purchasing 264,180 gallons of milk—valued at an estimated $63,600—from farmers in the subsistence economy. Special recipient depots will be built throughout the country for this purpose. By 1973, the government hopes that output will reach 4,332,552 gallons worth about $1.06 million.

Crop output expected to rise

Planting intentions for 1967-68 generally indicate continuing increases in crop production although recent dry weather could have an adverse effect. Output of all major industrial crops—cotton, sugar, cashew nuts, sisal, copra, and tea—is expected to rise. A large corn crop is forecast, and rice production in the south is expected to resume its rapid expansion rate of the early 1960's. Vegetable growers along the coast have enjoyed favorable weather conditions, and their good quality crops have brought in satisfactory returns from local markets.

Production of oil-bearing crops, particularly peanuts, could also be up substantially this year as a result of expanded acreages in most growing areas. Mozambique's Vegetable Oil Expressors Association recently borrowed $7 million from the Banco Nacional Ultramarino to finance its purchases of locally grown oilseeds in 1968 and will be buying large quantities of copra, sesame, peanuts, mafurra, and seedcotton. The size of the loan is an indication of the local oil-expressing industry's rapidly expanding needs for raw materials.

Banana and citrus trees in the Sul do Save area are making satisfactory progress, and good crops are forecast. Mozambique's fruit exports will soon be carried directly to northern European ports on four new National Shipping Line ships. Heretofore, the fruit was exported aboard Conference Line ships in space allocated by the South African Citrus Board, an arrangement regarded by Mozambique's growers as unsatisfactory.

Despite a glut of potatoes on the local market, a large crop is forecast this year. Because of the glut, the price of potatoes has hit its lowest level in 10 years. According to a local press report, the Sul do Save farmers' cooperative had to throw 2,000 metric tons of potatoes into the sea because they had rotted in the organization's storage plants in Lourenço Marques. The cooperative signed a contract in December to supply 500 tons to the Johannesburg, South Africa, market, but this quantity hardly caused a dent in the sizable stocks.

—Based on dispatches from WILLIAM J. CLAIR
U.S. Economic Officer, Salisbury, Rhodesia

Rice Crop Proves Tanjore Program's Worth

An experimental rice-growing project in the Tanjore district, the "rice bowl" of Madras State in southern India, has proved to farmers the worth of a new system that combines the planting of higher yielding varieties with double cropping. The program promises to substantially increase the yearly harvest of Madras, a major rice-producing State of India.

As a result of this project, Tanjore district may harvest over 20 percent more rice this season (1967-68) than in the previous record year, when about 1 million tons were produced. The development of the program in the next few years in Tanjore and the extension of similar practices to other areas with a comparable climate could help India's food problems.

The impetus for the Tanjore project, begun in 1964, was provided by the Intensive Agricultural Development Program (supported by the Ford Foundation). The project had two aims—the substitution of high-yielding and fast-maturing rice strains for those customarily planted and the conversion of single-cropped areas to a system of two crops a year.

New cropping practices

Rice is planted in the Tanjore district on about 1.2 million acres. Traditionally, two separate acreages existed where two different cropping practices were applied. The major area—900,000 acres—yielded only one crop a year. Varieties that took up to 6 months to mature were planted in July and harvested in December and January. On the other 300,000 acres two rice crops a year were raised; the first was planted in June and harvested in early October, and the second was planted immediately following the October crop and harvested in the first part of the following year.

The objective for the 1967-68 crop year was to convert much of the 900,000 acres formerly single cropped to double cropping and to plant it with a high-yielding rice variety ADT-27. When use of this variety began in 1964, only 200 acres of it were planted; planting of ADT-27 on double-cropped land had increased to 200,000 acres in 1966.

The possibility of double cropping this high-yielding variety on the 900,000 acres traditionally single cropped came up when local officials discovered that ADT-27 could be harvested during the October-November monsoon, provided drying facilities were made available. Harvested ADT-27 is susceptible to quick germination under heavy moisture conditions. ADT-27 matures in 3-1/2 months whereas the variety customarily planted in Tanjore single-crop rice areas takes up to 6 months.

More than 80 percent of the area converted from single to double cropping in the Tanjore district was planted with ADT-27, which yielded, on the average, 3,090 pounds of paddy, or wet, unmilled rice per acre (the equivalent of 2,000 pounds of milled rice). The traditional rice strains used in Tanjore produced up to 1,870 pounds paddy (up to 1,250 pounds milled rice) per acre.

Project still has problems

Conversion of one-crop to two-crop rice areas has not kept level with plans, which originally called for switching 600,000 acres this crop year. Instead, only 200,000 acres were converted. One reason for the nonconversion of acreage was a break in the Grant Anicut Canal that delayed the release of water for 3 weeks at planting time and decided many farmers to continue the one-crop rice system in which seeding is later than in the two-crop system.

Another problem that needs solution if the program is to reach maximum efficiency is the dispute between the Food Corporation of India (FCI) and local Tanjore agricultural cooperatives about who shall bear the cost of drying the harvested paddy at the FCI's 30 mechanical driers. Because no agreement between the cooperatives and the FCI was reached, paddy from the first harvests of the 1967-68 crop year was not brought to the driers and the Government had to provide rapid transportation for large amounts of wet rice out of Tanjore to other Madras districts. If the weather had not been unusually dry, a large percentage of the rice harvest might have been lost because of germination.

More cooperation is needed between the Madras Government, various local officials, and private individuals. For example, during part of the fall harvest millers refused to process paddy because they claimed officials expected more milled rice per unit of paddy than they could achieve. This dispute, though finally settled by compromise, forced officials to arrange transport for additional amounts of wet rice out of Tanjore and put a further strain on the transportation system.

Another complication was that some Madras districts declined to transport their quotas of the rice harvest out of Tanjore by road. It was felt they were waiting for wet rice to pile up in Tanjore so they could buy at a lower price. Tanjore officials short-circuited the rice accumulation by shipping wet rice by rail to the districts in question and leaving it at unloading points.

Project significance and future

Each of the many rice varieties in India has adapted itself to particular patterns of seasonal rainfall (the annual monsoons) and day lengths. Nonphotosensitive varieties are early to medium maturing and have a growth period of 3.5 to 4.7 months. These varieties are suitable for double cropping. The photosensitive strains include varieties that mature medium late to very late (4.7 to 6 months). The late, 6-month varieties traditionally have been grown as the main single rice crop of the Tanjore district.

The adoption of more efficient rice-growing techniques in India is urgent. In the last 2 years, India has had severe food shortages because of floods, droughts, and a population that is increasing more rapidly than agricultural production. Although rice is the staple food for most Indians, it has been rationed for several years. Because of short supplies, inflation is occurring.

The Tanjore project is clearly demonstrating to both Indian farmers and government officials that innovations in agricultural methods are profitable. And increased future Tanjore rice harvests should encourage more and more farmers in other parts of India to try a two-crop rice system. If such double cropping achieves wide acceptance, India's food situation might be measurably improved.

Specific future aims of the Tanjore project are:

- Conversion of the remaining one-crop rice areas to the two-crop system.
- Use of only new, high-yielding rice strains.
- Use of recommended amounts of fertilizers. This crop year some farmers could not get credit to buy enough fertilizer.
- Introduction of a three-crop system in the more fertile and well-irrigated land as faster-maturing rice strains are developed.
- Elimination of rice spoilage during harvests by using mechanical drying units so that rice will not germinate, by improving and increasing storage facilities, and by streamlining transportation and distribution organizations.

—Based on dispatches by ROGER LONG
Office of the U.S. Consul General, Madras

Sweden Seeks Urban-Rural Balance

By GEORG FROSTENSON
Office of U.S. Agricultural Attaché
Stockholm

Broad changes in agricultural policy are being made throughout Western Europe. In Sweden, where food prices have reflected high production costs and subsidies in the interest of agricultural self-sufficiency, government policy is shifting to one of lower levels of self-sustaining farm production, with food supplies supplemented by imports at a cost lower than Sweden's farmers could produce them. To streamline production and bolster income, the government is encouraging farmers to develop efficient production units, supplement farming with other occupations, or enter new fields. (See Foreign Agriculture, ***Oct. 17, 1966, and Dec. 4, 1967.) Below, Dr. Frostenson tells how it is helping farmers accomplish this.***

In Sweden, as in other industrialized countries, many farmers have been leaving the land to seek employment elsewhere. The decline of the gainfully employed agricultural population is estimated at between 4 and 8 percent, or 15,000 and 30,000 annually.

A relatively large proportion of these people are in the higher age brackets. However, the migrants include a sizable number of young farmers and members of farm families who can be trained relatively easily for work outside agriculture.

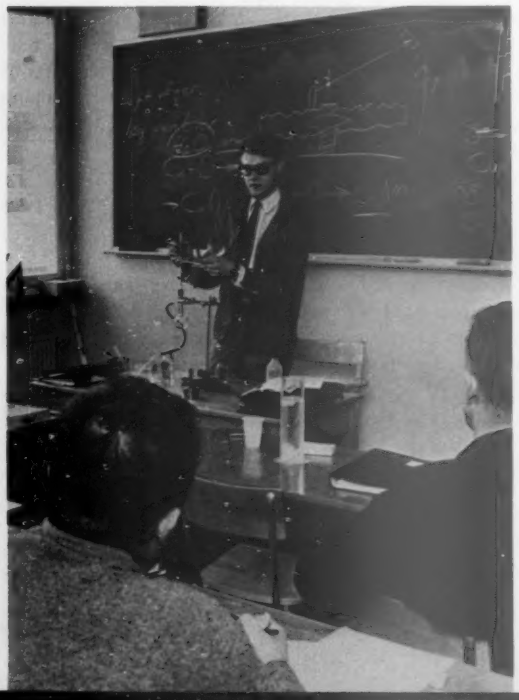
Until recently, the Swedish Government made no substantial effort to facilitate the exodus of people from farm to industry and to help farmers adapt as well as possible to other occupations. Its labor-market agency, Arbetsmarknadsstyrelsen (AMS), functioned chiefly in the nonfarm area, offering vocational guidance, training courses, and financial assistance; keeping track of vacancies; arranging emergency employment; paying unemployment insurance benefits; attracting new industry to stricken areas; doing research and investigations; and planning for new employment opportunities.

There are several reasons for AMS's relative passivity in working with farmers. For one, many farmers preferred to take their fates in their own hands and with their own skill and enterprise have found satisfactory nonfarm jobs. For another, farm organizations and other agricultural agencies have been inclined to use AMS's services to improve the viability of existing farms rather than to facilitate migration from them. On the other hand, labor unions—particularly during the past 10 years—have tolerated and even welcomed the structural changes supported by an active labor-market policy as a means toward improved standards of living.

Today, with government policy encouraging more efficient production units, AMS is directing more of its efforts toward agriculture. In consultation with the National Board of Agriculture, the farm employers' and workers' associations, and the farmers' economic and occupational organizations, it has developed a program to help people who want either to leave farming or to supplement it with other sources of income.

Instrumental to this program are the 24 county labor boards, which have set up special joint committees in each county to gather and disseminate information on the employment situation in agriculture. Each committee comprises representatives from the county agricultural board, the county agricultural society, the forest and agricultural employers' associations, the Swedish Agricultural Workers' Union, the National Farmers' Union, and the provincial councils for local contact and cooperation with the Federation of Swedish Farmers' Associations.

The county labor boards supplement the economic and techni-



Clockwise from above: Small farm typical of the ones from which farmers are migrating; training course—arranged by AMS—in use of calculators; course for potential chemists.

cal information supplied by the above organizations with labor-market information. Their chief concerns are that Sweden have an adequate supply of farm labor and that farmers wanting to work in the nonfarm sector receive vocational orientation, training, and financial aid. In the near future, the emphasis is likely to fall on the latter.

When a farmer wants to give up farming, the board will inform him and his family of employment opportunities in other industries and of the economic and practical assistance available to facilitate the change within the country's overall labor-market policy. If the farmer prefers to make his initial contact with the county agricultural board, this board is expected to communicate and cooperate with the labor board. The agricultural board is authorized to evaluate farm property that is to be used for the enlargement of a neighboring farm, taking the labor market situation and motives for the expansion into account.

Employment offices are available to help the farmer get information on retraining and employment in other fields, as well as on supplementary employment during slack periods on the farm. The labor boards will then help him arrange to take courses in the maintenance and repair of farm machinery and buildings, welding, animal breeding, and the like. Farmers who take courses recommended by the labor boards receive training allowances.

The employment offices also help supply substitute services on farms during periods of illness, holidays, and other leave and recruit temporary farm workers—frequently students—for labor-intensive crops. They attempt to provide reasonably continuous employment for replacement-service personnel who want it. In view of the high average age—46 years—of hired farm workers, the employment offices also recruit permanent help, realizing that Sweden will need a nucleus of regular agricultural labor in the future.

The services of the labor boards have recently been supplemented with other mobility-promoting measures authorized under the new agricultural policy that became effective September 1, 1967. The Land Fund for government purchase and resale of farms was increased; this will help facilitate the disposal of marginal farms at acceptable prices. The new policy also provides intensified measures to help progressive farmers expand their holdings by direct purchase of neighboring farms and farmland. At the same time, the subsidy incentive encouraging farmers to remain on marginal farms is being largely eliminated. Acreage and milk subsidies formerly paid to small farmers have been discontinued for all farmers under 55 years of age. For small farmers over 55, a new incentive to leave the farm has been introduced—a single grant of up to 6,000 kronur ($1,200).

USSR Reports Modest Rise in Farm Output

Official Soviet announcements of economic gains in 1967 show increases above projected goals for all areas of the economy except agriculture during this jubilee year marking the fiftieth anniversary of the October Revolution.

National income, the closest approximation to the Western concept of gross national product, reportedly increased 6.7 percent over the 1966 level. Industrial production was up a strong 10 percent, retail trade 9.4 percent, real per capita income 6.0 percent, and foreign trade 9 percent. In every case, output or real gains were reportedly higher than the projected plans for 1967. But gross agricultural output reportedly increased by only 1 percent, against the announced 1967 plan calling for a 4-percent increase over the exceptionally good results of 1966.

Instrumental to agriculture's poor showing was the sharp drop in grain production from the officially reported record crop of 171.2 million metric tons, bunker weight, in 1966 to 147.6 million tons in 1967. (Earlier, USDA had estimated net grain output in the same 2 years at 145 million and 125 million metric tons, respectively.)

Output of other major crops either increased or held to 1966 levels, according to the Soviet reports. The final output of 6.6 million tons for sunflowerseed is 7 percent above the previous year's high. Vegetable oil production, as reported by the food-processing industry, reached the 3-million-ton level, up a strong 10 percent from 1966 output. Cotton production of 6 million tons (unginned) shows no change from the 1966 output. Output of potatoes reportedly increased from 88 million tons to 95 million, vegetables from 18 million to 20 million, and sugar beets from 74 million to 87 million. (Outputs of potatoes and vegetables, which are produced primarily on private garden plots, are estimated from small statistical samples. These estimates are likely to be revised by Soviet crop estimators.)

Livestock failed to match the growth rates achieved during the first half of 1967 and ended the year showing a somewhat spotty performance. Most unexpected was the 12-percent decline in hog numbers and the static position of cattle numbers. This could be attributed to possible feed shortages. Not to be excluded as a cause, however, is the delayed effect of foot-and-mouth disease. The only substantial increase occurred in numbers of sheep and goats, which rose 10 percent above the 1966 level.

Output of meat, including poultry, was up 6 percent to 11.4 million tons, slaughter weight. Milk production, at 79.3 million tons, was up 4 percent, and that of eggs, at 33.7 billion units, was up 6 percent. Although these increases were expected, the announced results suggest that a slowdown in output developed in the second half of the year. This may also reflect the reduced availability of feed concentrates.

Agricultural investment programs and material inputs continued to move upward in 1967, suggesting that no deliberate slowdown or shift in resources from agriculture to other sectors developed during the year. Fixed capital investments of the collective and state farms increased by 10 percent, substantially above that planned; the level of investment was influenced heavily by record incomes resulting from bumper crops in 1966. Fertilizer made available to farms, at 33.7 million tons (gross weight), was up 2.7 million tons from that distributed in 1966.

During the year, the Russians claim to have added 7.8 million tons of grain-storage capacity, brought 252,000 hectares (622,692 acres) of land under irrigation, and delivered 286,000 tractors and 146,000 trucks to farms. All gains were above those of the previous year.

Income of collective farm workers increased 6 percent from the 1966 level, compared with a 4-percent gain for nonfarm workers. However, the average farm income level is still substantially below nonfarm income.

While the Soviet report on agriculture shows some new strengths, the weakness in livestock, particuarly the downward movement of herds, poses some doubt about the capabilities of this particular sector of agriculture to continue growing in 1968. More questionable is the ability of the Soviet Union to achieve the projected 7.4-percent increase in gross agricultural output planned for this year.

ROGER E. NEETZ
Foreign Regional Analysis Division
Economic Research Service

At left, Japanese business—recent guests at the U.S. Trade Center in Tokyo—get a buffet-style sampling of the American food products their stores will feature in a month-long promotion.

Japanese Retailers See and Sample U.S. Foods They'll Promote in April

Twenty-one retailers from four prominent store systems in Japan were guests at the U.S. Trade Center last month for a preview look at the American foods being offered for April in-store promotions in Tokyo. Setting up the show were the eight U.S. trade cooperators which represent these products in Japan. The month-long store campaigns will run concurrent with the U.S. food show in Tokyo, April 5-21.

Japanese retailers came from Daimaru, Inc., with department stores in Osaka, Kyoto, and Kobe; and Tokyo stores Isetan Co., Ltd., Kinokuniya Supermarket Co., Ltd., and Meidi-ya Co., Ltd.

Products displayed and sampled included margarine, salad oils, soy sauce, grapefruits, oranges, lemons, turkey roasts and chicken rolls, prunes, raisins, doughnuts, and dog food—most of which will also be promoted in cooperator booths at the show. American soft ice cream made with a soybean-based concentrate imported from the United States was a featured treat.

Response was enthusiastic. Toyotaro Ikuta of the Kinokuniya Supermarkets said of the products, "We want them all in our month-long American promotion this spring." M. Akashi, Manager of the Foreign Trade Department of Meidi-ya, said he expects heavy April purchases of these foods during the promotion period. Three of Meidi-ya's largest Tokyo supermarkets—including the main store in the famed Ginza shopping district—will stage the U.S. food campaign.

—WILBERT SCHAAL
Assistant U.S. Agricultural Attaché, Tokyo

U.S. Apples and Pears at Selfridges

One of England's largest and best known department stores—Selfridges—featured U.S. Pacific pears and apples on the produce counters of its huge Oxford Street store in London a few weeks ago. Customer response to the 2-week event was so good the store has already requested a repeat promotion next year, possibly on a larger scale.

The store provided a window exhibit plus a display on the produce counter. The areas were enhanced by point-of-sale material supplied by the Northwest Horticultural Council—cooperator with FAS—which represents growers of deciduous fruit in Washington, Oregon, and California. A demonstrator was also on hand slicing apples and pears and passing out samples of the varieties shown, Newton and Red Delicious apples and Comice pears.

Selfridges reports that sales during the promotion were substantially higher than regular levels for this time of year. There were many repeat sales despite heavy snow and cold weather that kept many shoppers home the first week of the produce special.

Below, clerk at Selfridges in London shows off the U.S. Pacific pears and apples that stepped up fresh produce sales at the store for 2 weeks in January.

U.S. Foods Make Sales Mileage at Green Week

U.S. food products were well received, and American jazz combos, Dixieland bands, country music, and square dancing were popular attractions during Germany's famous Green Week food fair—a traditional January event attracting thousands of German food businessmen daily.

Products displayed and marketed from 12 American companies included popcorn, fruits and juices, poultry specialties, soybean products, and seasonings. An estimated half-million visitors came through the agricultural exhibits of the 23 countries participating, and more than 350,000 visited the American area. The U.S. exhibit was put on by the U.S. Information Agency in cooperation with FAS.

This year's U.S. exhibit theme, "Cooking and Eating American Style," featured dishes from several areas of the United States made with products available in grocery stores throughout Germany. A replica of a New England tavern featured steaming bowls of clam chowder, baked beans, and apple pie with cheese. Shoo-Fly Pie was popular in a Pennsylvania Dutch Inn, while chile con carne was served in a small-scale Pueblo hostelry.

CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Between February 14 and February 20, there was very little change in offer prices for wheats at Rotterdam. U.S. Dark Northern Spring and Argentine wheats were up 1 cent. U.S. Hard Winter, 12 percent, fell 2 cents, while U.S. Soft Red Winter increased 2 cents. All others remained unchanged.

U.S. corn was down 1 cent, while Argentine and South African white corn were unchanged.

A breakdown of the prices follows:

Item	Feb. 20	Feb. 14	A year ago
	Dol. per bu.	*Dol. per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	2.01	2.01	2.19
USSR 121	1.93	1.93	(1)
U.S. No. 2 Dark Northern Spring, 14 percent	1.94	1.95	2.05
U.S. No. 2 Hard Winter, 12 percent	1.80	1.82	1.91
Argentine	1.80	1.81	1.92
U.S. No. 2 Soft Red Winter	1.77	1.75	1.90
Corn:			
U.S. No. 3 Yellow Corn	1.41	1.42	1.60
Argentine Plate	1.58	1.58	1.63
South African White	1.47	1.47	(1)

[1]Not quoted.

Note: All quotes are c.i.f. Rotterdam and for 30- to 60-day delivery.

Argentine Sunflower, Soybean Acreage

The second official estimate places Argentina's 1967-68 area planted in sunflowerseed at 3,064,040 acres. This is 13 percent less than the first estimate of 3,533,530 and 9 percent less than the 3,366,243 acres planted in 1966-67, when a record crop of 1,120,000 metric tons was produced. Factors contributing to the decline include low prices (the support price was not raised), reportedly greater profits to be had from corn, and unfavorable weather at planting time.

Area planted to soybeans is 53,868 acres, according to the first official estimate. This is one-fifth above the 1966-67 plantings of 44,478 acres from which 20,200 tons (742,215 bu.) of soybeans were produced.

Yugoslav Prune Pack Reduced

Cold rainy weather during pollination, summer drought, and higher prices for fresh prunes combined to cut Yugoslavia's 1967 pack of dried prunes to 17,000 short tons, 15 percent below the 1966 total of 20,100. Early season damage was especially prevalent in areas where the Pozegaca variety is grown. Drought caused fruit droppage and reduced fruit sizing in all areas. Yields reportedly averaged 22.7 pounds per tree, fresh basis, 4 percent below the 1966 average of 23.6 pounds.

Exports are expected to total 10,000 tons, 23 percent above 1966-67 but still considerably below the 5-year 1961-65 average. During the first 2 months of the 1967-68 season, exports totaled 1,900 tons and went mostly to West European markets. The major export markets during the 1966-67 season were the USSR, East Germany, Italy, Czechoslovakia, and Austria.

YUGOSLAVIA'S SUPPLY AND DISTRIBUTION OF DRIED PRUNES

Item	Average 1961-65	1965-66	1966-67	Forecast 1967-68
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Beginning stocks (Oct. 1)	8.1	9.3	2.3	5.0
Production	27.7	6.4	20.1	17.0
Total supply	35.8	15.7	22.4	22.0
Exports	19.2	6.9	8.1	10.0
Domestic disappearance	8.6	6.5	9.3	9.0
Ending stocks (Sept. 30)	8.0	2.3	5.0	3.0
Total distribution	35.8	15.7	22.4	22.0

Prices of Canned Fruits, Juices in London

Selling prices (landed, duty-paid) in London, England, of selected canned fruits and juices are shown in the following table.

Type and Quality	Size of can	Price per dozen units: January 1967	October 1967	January 1968	Origin
CANNED FRUIT		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Pineapple slices:					
Fancy	16 oz.	1.96	2.00	[1]1.68	South Africa
Choice	21/2	3.22	[1]2.76	[1]5.47	Taiwan
Choice, round	20 oz.	--	[1]2.00	[1]3.96	Taiwan
Choice, spiral	20 oz.	1.89	[1]1.73	[1]1.76	Malaya
Do	16 oz.	1.64	[1]1.55	[1]1.58	Malaya
Grapefruit, sections:					
Number 2	20 oz.	2.80	[1]2.38	[1]2.10	Israel
Quality not specified	20 oz.	2.66	--	2.10	Br. West Indies
CANNED JUICES					
Orange, unsweetened	43 oz.	4.48	[1]3.43	[1]2.94	Israel
Do	46 oz.	--	--	[1]2.94	Br. West Indies
Grapefruit, unsweetened	43 oz.	4.27	3.29	[1]2.76	Israel
Do	46 oz.	--	--	[1]2.76	Br. West Indies

[1]C.i.f. U.K. ports.

British Buy More Chinese Walnuts

U.K. imports of walnuts from Mainland China rose to an alltime high of 4,842 short tons, in-shell basis, during the marketing year ended September 30, 1967. This is 30 percent above the 1965-66 level and 11 times the 1960-64 average of 442 tons. During the

U.K. IMPORTS OF WALNUTS FROM MAINLAND CHINA

Marketing year	Inshell	Shelled
	Short tons	*Short ton*
Average: 1960-64	272	68
1965-66	2,430	518
1966-67	3,329	605
October-December:		
1966	2,756	6
1967	2,977	8

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first quarter of 1967-68, imports totaled 2,997 tons, in-shell basis—up 8 percent from the first quarter of 1966-67. The majority of the shipments are made during the October-December quarter in time for the Christmas trade, and nearly all the walnuts are sold in the shell.

Trade reports indicate that the nuts are of very good quality particularly when compared with walnuts shipped from Mainland China in past years.

French Cigarette Sales

Cigarette sales by the French Monopoly in 1967 totaled 58.0 billion pieces, a rise of 7 percent from the 54.3 billion for 1966. Domestic-made brands accounted for 55.4 million pieces, or 96 percent of the total—the same percentage as in 1966. Sales of imported brands totaled 2.6 billion pieces, compared with 2.4 billion in 1966.

Sales of U.S.-made cigarettes in France last year totaled 491 million pieces, compared with 687 million in 1966. The drop was more than offset by an increase in purchases of cigarettes made in other member countries of the European Common Market. These cigarettes totaled nearly 1.8 billion pieces, compared with 1.2 billion in 1966. It is probable that a substantial volume of those were U.S. brands manufactured [illegible] license in the Common Market countries.

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Iran's Cotton Production Rises

Iranian cotton production is expected to be around 550,000 bales (480 lb. net) in 1967-68 (August-July), compared with 519,000 last season and the 494,000-bale average for 1960-64. However, the current crop is down sharply from the 1965-66 record of 645,000 bales.

Yields increased from an average of 258 pounds per acre in 1966-67 to an estimated 297 this season, primarily because of timely pest-control measures and favorable weather conditions. Acreage allocated to cotton in 1967-68 was reduced to 890,000 acres from 965,000 a year earlier. This reduction in acreage reflects the farmers' disappointment in last season's crop because of severe bollworm infestation, especially in the Caspian coast area.

Cotton exports are expected to be around 325,000 bales in 1967-68, up from 290,000 in 1966-67 but still far below the 459,000-bale record in 1965-66. Shipments during the 10-month period August-May 1966-67 to major countries of destination, in thousands of bales and with figures for a comparable period last year in parentheses, are: Romania 32 (31), the USSR 32 (26), Hungary 31 (30), the United Kingdom 28 (85), Japan 27 (21), and Czechoslovakia 20(40).

Consumption totaled around 225,000 bales in 1966-67 and is expected to be about the same this season. Rising prices may deter a rapid increase in consumption such as was experienced in recent years. Stocks on August 1, 1967, are not expected to change appreciably from the 35,000 bales on hand a year earlier.

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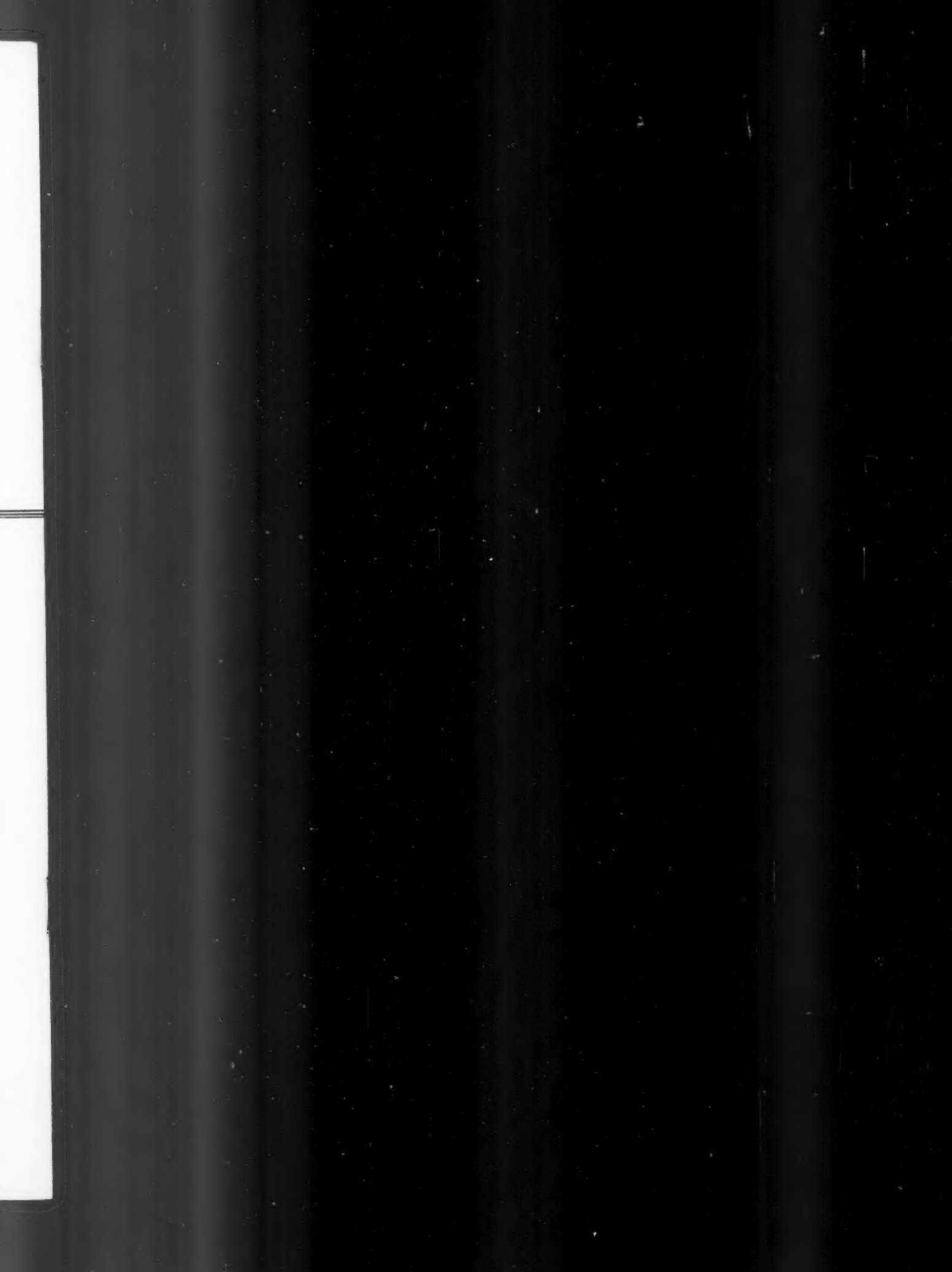
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